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DDA Memo, 4 Apr 77

Auth: DDA 77/1763

GENERAL

1. French concern over Communist infiltration in Italy--US
Ambassador Caffery in Paris has been informed [redacted]

[redacted] that the Italian Government proposes to send to Paris as military attache a "militant Communist" who would be assigned "to aid in coordinating military efforts of the French and Italian Communist Parties." [redacted] UNCODED

[redacted] the French consider this nomination "incredible and shocking" and [redacted] they have increasing evidence that the Italian Foreign Office is so thoroughly infiltrated by Communists that all French conversations in Rome are "completely known by Communists within twenty-four hours."

EUROPE

2. GREECE: Griswold concerned by gold situation--AMAG
Chief Griswold, has expressed concern over the "atmosphere of panic and lack of confidence engendered by the soaring gold rate," and urgently recommends that the US authorize the release of \$2 million of Greek gold (now in the New York Federal Reserve Bank) for use, under AMAG supervision, in bolstering the Greek currency. Griswold adds that during the last month the gold policy has developed into the foremost economic and political issue.

(The gold sovereign has become, in effect, the "real" currency in Greece. The Government uses the device of selling gold on the open market as a means of preventing a gold panic and of halting rapid declines in the value of the drachma.)

Coalition government believed likely to collapse--
US Charge Rankin reports that the continuing strain within the present coalition government is such that the government is unlikely to survive more than two months at most. Rankin indicates that there is a "widespread feeling" that the present coalition is an "unnatural and ineffective fusion

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of two jealous and incompatible groups held together only by US pressure." Rankin believes that the US must continue to support the present government as long as possible but should remain flexible in order to facilitate necessary adjustments. Rankin points out, however, that repeated US pressure to save the government will sooner or later be strongly resented by Greek leaders and the public.

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